

# Retiree Health Care Insurance Initial Consideration Follow-Up

Washington State Law Enforcement  
Officers' and Fire Fighters' Plan 2  
Retirement Board

August 23, 2006

# Current Situation

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- Retiree health care insurance not a part of LEOFF Plan 2 pension benefits
- Access and benefits vary from employer to employer for LEOFF Plan 2 retirees

# General State of Retiree Health Care

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- Retiree health care expenses take up large piece of pension
- Increasing number of retirees with longer life expectancy
- Access varies
- Increasing health care cost

# Access

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## ■ Nationally

- 60% of local government provide access to retiree health care
- 66% of local government providing access contribute to cost

Source: ICMA-RC

# Access

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- LEOFF Plan 2 - 2005 Employer Survey
- 8,180 members (53.9%) work for employers who provide access to retiree health care
- 374 members (2.5%) work for employers who provide access and contribute to the cost

# Comparison States

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- 7 of 13 provide access to state provided health care insurance
- 6 of 13 provide continuation of employer provided health care insurance
- Employer contribution varies from none to full

# Public Employees' Benefit Board

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- PEBB purchases health care for multiple groups
- “Risk Groups”
  - Active employees and Non-Medicare Retirees
  - Medicare Retirees

# 2006 PEBB Retiree Rates

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## ■ Non-Medicare Retiree

- Subscriber: \$369 to \$493 per month
- Full Family: \$1,002.78 to \$1,023.73 per month

## ■ Medicare Retiree

- Subscriber: \$137 to \$308 per month
- Full Family: \$396 to \$1,159 per month  
(dependent on number of family members eligible for Medicare)



# PEBB - Retiree Subsidy

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- Two types of subsidies affecting retiree cost

- Explicit

- Implicit

# PEBB – Explicit Subsidy

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- Employer pays specific part of cost
- Medicare retirees - \$131.87 per month for 2006

# PEBB Implicit Subsidy

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- Cost of adding more expensive participants blended with existing participants
- Results in a higher cost for existing participants
- Adding LEOFF Plan 2 Retirees to Non-Medicare risk pool increases implicit subsidy

# PEBB Implicit Subsidy

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- HB 2162 (2005) would have provided access to PEBB for LEOFF Plan 2 Retirees
- Fiscal Note
  - Active/non-Medicare risk pool monthly rates would increase \$689.38 to \$689.71
  - \$0.33 per person/month increase
  - \$573,667 for fiscal year 2007

# Retiree Health Care Insurance

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Questions?